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SECRET

25X1

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CONTENTS

INTERNATIONAL MONETARY DEVELOPMENTS: Dollar strengthens in Europe amid rumors that US will intervene in exchange markets. (Page 1)

LEBANON: President Franjiyah makes only minor concessions to critics in approving new cabinet. (Page 2)

ITALY: The new cabinet will meet tomorrow handicapped by lingering dissension. (Page 3)

INDIA: Food supplies will become increasingly tight until October harvest. (Page 4)

BANGLADESH: Government expresses serious concern about possibility of foodgrain shortages. (Page 5)

SECRET

INTERNATIONAL MONETARY DEVELOPMENTS: The dollar strengthened against major European currencies late yesterday, reflecting widespread rumors of official US intervention to support the dollar. Gains of nearly 3 percent from earlier lows were registered against most of the major European joint float currencies. The wide fluctuation in early trading demonstrated confusion over the meaning of a communiqué issued by the European central bankers on Sunday. The communiqué reaffirmed that official intervention in exchange markets by European central banks or by the US Federal Reserve System may be useful at appropriate times. In the absence of any clear signal that the major financial powers are willing to take sustained action to arrest the wild currency fluctuation of recent weeks, it is unlikely that heavy speculation has come to an end.

In Tokyo, the dollar closed today at its lowest level ever--254 yen to the dollar. The 3-percent appreciation of the yen relative to the dollar since Friday is the sharpest one-day rise in months. Traders in Tokyo obviously were little impressed by the European bankers' communiqué.

In Cairo, economic ministers of eight Arab oil-producing nations announced formation of a committee to study ways to protect Arab reserves against international monetary fluctuations and to use the reserves to their best advantage. It is doubtful that any joint action is imminent; historically, the Arab nations have not been able to reach accord on financial policy.

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LEBANON: President Franjiyah has made only minor concessions to his critics in approving the expanded cabinet of Prime Minister Taqi al-Din al-Sulh.

The new government is Lebanon's third in as many months. Like its immediate predecessor, it is led by a relatively weak politician who is acceptable to opposition leaders, but who the President hopes will carry out his policies. The new Prime Minister has close personal ties with Syria and is reported to have good relations with Palestinian leaders.

Franjiyah's continued determination to hold firmly to power is underscored by the fact that no prominent politicians are included in the new cabinet. Sunni Muslim representation has increased slightly, but the Sunnis selected appear to be conservative figures unlikely to challenge the President. Although the President has denied the powerful interior ministry to leftist leader Kamal Jumblatt, he has allowed it to be given to Bahij Taqi al-Din, a long-time Jumblatt associate.

The interior ministry post could be critical to the operation of the new cabinet, as it was to its formation. If Jumblatt influences internal security policies through his associate, the new government probably will not come under leftist attack. If Franjiyah maneuvers around the new Interior Minister, however, another cabinet crisis could arise.

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ITALY: The newly formed center-left government of Mariano Rumor will hold its first cabinet meeting tomorrow, handicapped by lingering dissension among and within the coalition parties.

The fact that the cabinet has no vice-prime minister, for example, reflects unresolved differences between the Socialists and Social Democrats over an assignment to that post. For their part, the Socialists' majority and minority factions remain at loggerheads over the terms on which the party agreed to join the coalition last week. As a result, the party minority leader has refused to participate in the government.

Dissatisfaction in the right and left wings of the Christian Democratic Party is a further bad omen for government cohesion. Giulio Andreotti, the previous prime minister and a leader of the party's right wing, resisted heavy pressure to accept a cabinet post and is clearly keeping his distance from the renewed center-left government. The Christian Democratic left is disgruntled at receiving only two ministries-without-portfolio instead of the coveted state industries post.

In spite of these difficulties, Rumor's government should not encounter major problems in the short term. The sacrosanct August vacation will shortly postpone touchy legislative questions until fall. Moreover, the outlook appears good for agreement on emergency measures to check inflation and boost the economy.

The coalition's longer-term prospects are less certain. The relative speed with which Rumor formed the government indicates that the more divisive issues were papered-over or set aside. The four-party accord may not hold up when the coalition has to face hard choices on specific volatile matters such as housing, health reforms, and the impending divorce referendum.

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INDIA: Revival of the monsoon rains in early July, after a two-week dry spell, relaxed tensions in drought areas and permitted farmers to resume work. Although Indian weather experts still are predicting normal rainfall during the monsoon season, food supplies will become increasingly tight prior to the major grain harvest that begins in October.

An acute rice shortage is now reported in those areas that are normally deficit in foodgrains. Wheat is being substituted for rice in the government ration, but even wheat stocks are small because both domestic and imported grains were reportedly distributed as quickly as possible in May and June to quell food riots. Government procurement of wheat from the recent harvest has virtually ended at about 4.2 million metric tons, compared with 5.1 million tons collected last year, and grain imports during the first half of 1973 amounted to only 1.4 million tons.

Agriculture Minister Shinde reported that additional grain purchases are being made--largely from the US, Canada, and Argentina--and may reach a total of 4 million tons. India, however, has purchased only about 300,000 tons of grain in the US since mid-June.

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BANGLADESH: The government is seriously concerned over the possibility of foodgrain shortages during the next four to five months. Dacca anticipates heavy demands on its ration shop system that can only be met through imports. The government does not expect to procure foodgrains domestically until the main harvest that begins late in the year. While officials of the UN relief operation and the US mission in Dacca view the foodgrain situation as highly uncertain, they do not share the extreme alarm recently exhibited by the government. They feel that the response to the problem should include better management of available stocks. The US has agreed to ship 280,000 tons of wheat before the end of September and hopes to provide an additional 220,000 tons during the last three months of the year.

25X1

10 Jul 73

Central Intelligence Bulletin

5

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